

OPTIONAL FORM NO. 10

UNITED STATES GOVERNMENT

Memorandum~~SECRET~~

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TO : Chief, Administrative Staff/OL

DATE: JUL 12 1963

FROM : Chief, Procurement Division/OL

SUBJECT: Report of Objectives and Accomplishments

1. Replying to your memorandum of 12 June 1963, subject as above, the following presents the status of the several items, keyed to the same paragraph numbering:

a. There continues to be an increase in emphasis on the program of making inspections of Contractors holding Government Furnished Equipment and there has been an increase in results obtained in several areas involved; i.e.:

(1) Despite the increased dollar volume of contracting, the number of Contractors holding GFE on 30 June 1963, 96, remained nearly stable as compared to 93 on 1 January 1963.

(2) Approximately 100% of subject Contractors have been requested to submit Property Record Cards and 80% have complied; this is an increase of 8 percentage points compared to 1 January 1963.

(3) The number of Contractors visited for annual inspection of GFE from 1 January 1963 to 30 June 1963 was 34. This is a 50% increase over the number visited in the prior 6 month period. Thus, the goal established in our report of 18 January 1963 was exceeded by 40%.

b. Six of our Base Contracts which were more than three years old were replaced with new Base Contracts containing changes reflecting current policy and contract provisions.

c. The scope of the "uniform instructions to contractors", originally submitted as an objective, was greatly enlarged and now covers instructions and guidance on a large percentage of our frequently recurring contractual problems with Contractors. A copy of this letter has been forwarded to all SC-1 contractors and as information to all of the Agency technical offices concerned with these contractors. A copy is attached as enclosure "A".

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d. The Procurement Handbook [] was completed and issued to all Agency components concerned. It is of interest to note that this required one and one-quarter years to accomplish, most of which time was required in the necessary coordination thereof. We believe that this will be of incalculable worth to the Agency in the conservation of money, reduction of lead time for consummating procurement actions, better end products and greater cooperation between the Procurement Division and the technical offices concerned.

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e. (1) The Contractor Evaluation Program has been implemented. All Contractors (names in alphabetical sequence) from "A" through "P" have been evaluated in accordance with the established comprehensive procedure. The results have been transmitted to the technical offices concerned and within the several Sections of the Procurement Division for day to day use in dealing with subject Contractors. Special restrictions, varying in nature, have been placed on future dealings with 18 of the evaluated Contractors.

(2) Reactions to results obtained from the Technical Offices as well as Industrial Contract Audit Division and Asst. General Counsel/OL have been most favorable and, more important, useful in our current and future dealings with subject Contractors.

(3) Further, we are informally advising our Contractors that we are evaluating them. We believe that this has had two significant results:

(a) Contractors who know that their performance is good are gratified and encouraged because they know that they are not competing with less satisfactory Contractors only on the basis of price regardless of ability. Thus they are more eager to work for the Agency.

(b) While we do not inform less satisfactory contractors that they are subject to restrictions or even being dropped from future consideration, they become aware of the situation and attempt to overcome their self recognized deficiencies, in some instances.

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(4) A copy of the "Results of Procurement Evaluation Program" is attached as Enclosure "B".

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f. A study of the procedures used by DoD in the price analysis of cost proposals was made to the extent deemed applicable to the Agency's procurements. Subsequently, the Procurement Division's program for price analysis was implemented by Contract Instruction BB-63, Enclosure "D". Through 30 June 1963, 54 proposals have been subjected to this procedure. At least a portion of the dollars involved in the Division's successful "Cost Reduction" program were realized through this procedure.

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g. The results of this objective for increasing the educational assets of our professional personnel are tabulated in Attachment "C". It is believed that the effort on the part these individuals will result in improved effectiveness for the Agency as well as for themselves.

2. Certain of the objectives listed above are of a continuing nature or should continue into a progressive phase, as follows:

a. To increase the number of inspections of contractors holding GFE and obtain, on a more current basis, their reports on GFE. Our objective will be to make an inspection of each such contractor at least annually.

b. To complete the renegotiation and replacement of all Base Contracts more than three years old.

c. (1) To complete the Contractor Evaluation Program on the remaining contractors whose names are alphabetically in the "Q" through "Z" category.

(2) To establish new sources for those contractors whose evaluations show them to be marginal or unsatisfactory.

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c. To continue the program of analyzing the educational background of professional personnel of the Division and to strongly urge and encourage additional off-duty study in order increase the individuals' efficiency and potential.

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3. New Objectives for Fiscal Year 1964.

a. To carry out a series of internal PD management meetings and critiques presently scheduled to run from 8 July through 28 October which will review in detail all significant aspects and present procedures in order to improve the methods for carrying out the Division's mission. Details of this program are set forth in PD Notice No. 63-5, Enclosure "E".

b. To develop and produce an Internal PD Operating Manual. This will consolidate many now separate Division instructions; will reduce to writing Division policy and procedures; will serve as a training tool for new personnel and bring about greater uniformity of implementation of Division procedures as applied to our professional personnel.

c. To increase the number of facility surveys in order to evaluate and have available to the Agency additional qualified contractors in the specific fields required by the Agency's mission.

d. To supplement and coordinate with the DDS's announced policy to improve the Agency's fiscal planning, insofar as contracting and procurement are concerned. The broad objective will be to have the Comptroller make funds available to the Agency components and for those components to complete their planning so that they will be ready to place their requirements for contracting on Procurement Division so that there may be as nearly as possible equal contracting expenditures during each of the four quarters of the fiscal year as compared to the large imbalance which has occurred in the fourth quarter in past years.

e. The Procurement Handbook, reported on above, has been published; however, it is by no means self implementing! Our objective this Fiscal Year will be to demonstrate to the technical offices involved the very substantial potential value it has for them (as well as for ourselves). This will require considerable liaison with technical components; the performing of substantial additional work by Procurement Division, originating from the self imposed additional procedures and the assumption of responsibilities heretofore exercised by technical components. There will also be involved the resolution of differing interpretations,

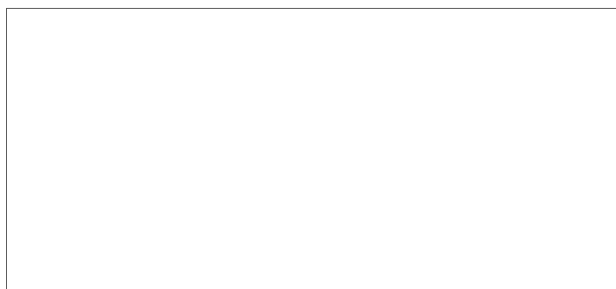
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guidance, briefing, selling of the Handbook's merits and finally (in what we hope will be only rare incidents) resolving opposing positions between technical offices and ourselves in a manner which meets the Agency's most important interest even when this is not compatible with the Division's primary objective.

✓ f. To increase travel to contractors and potential contractors' facilities.



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Enclosures:

1. Ltr of Instructions to Contractors (Encl A)
2. Results of Procurement Evaluation Program (Encl B)
3. Off-Duty Study Listing (Encl C)
4. Contract Instruction No. BB-63 (Encl D)
5. PD Notice No. 63-5 (Encl E)

Distribution:

Orig & 1 - Addressee
1 - OL/PD Official
1 - OL/PD Chrono



(12 July 63)

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ENCLOSURE "A"

Attention:

Gentlemen:

This letter is forwarded for the purpose of covering the more general and frequently occurring contract procedures. It is being submitted as a ready reference and guide for contractors and as an aid to the contractors' administrative, business and technical personnel. It should be understood that these provisions are not a substitution for nor a modification of any specific contract requirement. Cooperation and compliance with these procedures will expedite contractual matters and facilitate handling of contracts.

This activity has adopted and exercises certain authorities of the Armed Services Procurement Regulations enumerated in the Statutory Grant. These authorities were delegated to Contracting Officers within certain defined limits. The power to obligate the Government and this activity is restricted to those individuals specifically designated to act as Contracting Officers. The Comptroller General of the United States has held that claims based upon supposed dealings with an agent of the Government and the resultant contract requiring payment for the services and supplies furnished do not create a contractual liability on the Government to pay for such services and supplies furnished. These comments are directed toward developing a thoroughly informed contractor on this activity's policy in the areas of contracting and procurement.

In the selection of concerns for solicitation, qualified sources will be informed of requirements. Sources having a general knowledge of this activity's field of interest may submit their ideas and plans. The manner of solicitation and/or submission of proposal shall take into account this activity's particular requirements for security and classification. Submission shall be to Contracting Officers if classified or the Chief, Procurement Division if unclassified.

The form of the proposal should contain the following:

- (a) General statement requesting or stating the circumstances for consideration of the proposal.
- (b) A reasonably complete technical description of the proposed work.

NOTICE

This material contains information affecting the national defense of the United States within the meaning of the espionage laws, Title 18, USC, Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

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1. Statement of the objectives
2. The methods to be employed
- (c) Description of the general and special facilities available for performing the contemplated work.
- (d) Names and background of professional associates when appropriate.
- (e) Cost and Price Data
 1. Production type proposal use format of Form DD-633.
 2. Research and Development type proposal use format of Form DD-633-4.
 3. Technical Personal Services type proposal use format of Form DD-633-1.
- (f) Name, address, location and type of organization.
- (g) Name and telephone number of individual authorized to discuss and negotiate contract.
- (h) Name and signature of official submitting the proposal.

Proposals for renewals, extensions or amendments shall be requested at the earliest practicable date.

(a) Time extensions because of excusable delays encountered should be requested not less than forty-five (45) days prior to the completion date stating fully the reasons for the delay.

(b) Additional work on renewals of contracts should be requested not less than sixty (60) days prior to the completion date. Such proposals should indicate the accomplishment since inception with a detailed statement of the continuing work and contemplated new work. The request should contain a summary of costs incurred and estimate of costs to be incurred.

(c) Under no circumstances are costs to be incurred in excess of the contract price.

(d) Written notice is required from the Contracting Officer to begin work and to continue work after the completion date.

Whenever the contract requires the giving of advance notifications for expenditures and the obtaining of prior approval of the Contracting Officer, the contractor is required to furnish in writing concise but comprehensive

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information from which may be determined the justification for such expenditure. Failure to give advance notification and/or request prior approval before an expenditure is made will result in a suspension and may be cause for disapproval.

Selection of a contractor shall be on the basis of qualification and responsiveness to the particular requirement. Submission of a proposal by a prospective contractor presupposes a representation that he is qualified to perform. This includes plant facilities, competent technical personnel and adequate capital. Further, that the cost data submitted is accurate, complete and current. Contracting Officers shall require contractors to certify that the data submitted was accurate, complete and current whenever they feel that assurance as to the reasonableness of price is necessary. When requested, such certification will be required prior to the award of the contract.

All correspondence concerning the administration of executed contracts should be directed to the appropriate Contracting Officers. The need for greater attention to the legal implication of contract provisions cannot be overemphasized. Cases have been noted where work has continued under an expired contract, serious problems occur where contract extensions are not executed on a timely basis and various devices are employed to keep the contractor working pending the execution of a supplement, improper instructions to perform work not covered by the Contract, Government property delivered or shipped to contractors by technical personnel without the accomplishment of necessary coordination and clearance with the Contracting Officer responsible for the contract, etc.

To facilitate orderly procurement and avoid recurring problem areas, a contractor evaluation program has been established. It is designed to systematically appraise all facets of the relationship between this activity and a given contractor. The combined administrative, security and technical assessments shall be referred to contract negotiators in order that consideration of the particular areas may be given at the time of negotiations. Further, the assessment may also determine whether the contractor is responsive to this activity's requirements for the purpose of future contract relationships.

Your attention is directed to these and other contractual matters with the advisement that recourse should in all cases be directly to the Contracting Officer concerning any aspect affecting the obligation of the Government to your firm.

Very truly yours,

[Redacted Signature Block]

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Enclosure "B"

RESULTS OF
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